

# Memorandum

To: Panel Members Date: July 26, 2001

From: Creighton Chan, Manager  
Peter DeMauro, General Counsel File: cypress100.130agr

Subject: One-Step Agreement for **Cypress Semiconductor Corporation**  
www.cypress.com

## CONTRACTOR:

- Training Project Profile: Retraining: companies w/out-of-state competition
- Legislative Priorities: Stimulating Exports / Imports  
Moving to a High Performance Workplace  
Promotion of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
  - Company Wide: 4,435
  - In California: 1,130
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

## CONTRACT:

- Program Costs: \$707,600
- Substantial Contribution: \$0
- Total ETP Funding: \$707,600
- In-Kind Contribution: \$2,600,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Santa Clara And San Diego

- Duration of Agreement: 24 Months

**TRAINING PLAN:**

- Average Cost Trainee: New Hire: Retrainee: \$643
- Type(s) of Training: Computer Skills, Continuous Improvement, and Business Skills
- Number to be retained: New Hire: 0 Retrainee: 1,100
- Range of hours: 40 - 100
- Range of hourly wages: \$11.54 to \$75.95
- Prevalent hourly wage: \$36.06
- Weighted average hourly wage: \$37.22
- Health benefits used to meet ETP minimum wage: No

**SUBCONTRACTORS:**

PricewaterhouseCoopers, San Francisco, CA for a portion of administrative services for an amount not to exceed \$36,000;

Achieve Global, San Francisco, CA (Business Skills) for an amount not to exceed \$600,000;

Pacific Performance Alliance, San Francisco, CA (Business Skills) for an amount not to exceed \$250,000;

PEAK Learning, San Luis Obispo, CA (Business Skills) for an amount not to exceed \$200,000;

Peer3, Carlsbad, CA (Computer Skills) for an amount not to exceed \$200,000;

Personnel Decisions, Foster City, CA (Business Skills) for an amount not to exceed \$150,000;

Partners in Leadership, Temecula, CA (Business Skills) for an amount not to exceed \$50,000;

Satori Systems, Cupertino, CA (Business Skills) for an amount not to exceed \$50,000;

Effective Training Associates, Los Gatos, CA (Business Skills) for an amount not to exceed \$120,000;

Effective Training Solutions, Fremont, CA (Business Skills) for an amount not to exceed \$20,000;

Oisin, Inc., San Francisco, CA (Computer Skills) for an amount not to exceed \$30,000; and

Linguatec, Sunnyvale, CA (Business Skills) for an amount not to exceed \$8,000.

**THIRD PARTY SERVICES:**

PricewaterhouseCoopers of San Francisco assisted with the preparation of the application and Agreement documents for \$45,000, which is based on an hourly rate.

**NARRATIVE:**

Headquartered in San Jose, California, Cypress Semiconductor Corporation designs, develops, manufactures and markets a broad line of high performance digital and mixed-signal integrated circuits (IC's) for a range of markets, including data communications, telecommunications, computers and instrumentation systems. Cypress's IC's are computer chips used in such products as cell phones, telephone switches, and new high definition televisions. Customers include Cisco Systems, IBM, Intel, Lucent Technologies, Motorola, NEC, Nortel Networks, 3Com and Sony. The company employs a total of 1,300 Californians on a full-time basis. In accordance with Title 22, California Code of Regulations Section 4416(b), Cypress Semiconductor Corporation is eligible for ETP funding because it is a manufacturer.

The history of the company reflects the fast-changing electronics industry. The company was founded in 1982 to provide innovative high performance CMOS integrated circuits for specific markets. In 1992, Cypress Semiconductor began to produce selected high volume commodity memory products including memory chips for personal computers. In 1996 when the average selling price of these commodity products began to decline, the company switched again to new products for data communication and telecommunication end markets. The company currently offers about 420 different products focused on four areas: (1) Wide Area Networks; (2) Storage Area Networks; (3) Wireless Infrastructure; and (4) Wireless Terminals; the demand for these products exists on a global basis. In the year 2000, international sales accounted for 49 percent of Cypress's total sales.

To continue stimulating exports and generate increased global demand for its products, Cypress Semiconductor must achieve the following:

- maintain its position in high performance chip markets;
- increase its presence in data communications and telecommunications markets;
- successfully design and develop new products using advanced semiconductor design and process technologies in a timely fashion; and
- improve manufacturing yields and reduce production costs and cycle times.

To achieve these goals, Cypress Semiconductor must retrain a significant portion of its California workforce. The proposal is to retrain 1,100 employees across occupations including administrators, engineers, technicians, information technology staff, planners, managers, supervisors and sales and service staff. The curriculum focuses on Continuous Improvement Skills, Business Skills, and Computer Skills that will assist employees (1) to effectively market and sell sophisticated and multi-function products in light of significant domestic and international competition; and (2) to continue to design, produce, and service more complex, multi-function products that combine several products into one. For example, a line card used in routers, switches, or storage systems, previously used four separate semiconductor devices that can now be combined into one Cypress chip. The company is thus moving from single purpose products to multi-function "systems." This increased level of product complexity requires employees to be better rounded in their skills and able to work outside of what had been separate disciplines within the company.

**NARRATIVE:** (continued)

To develop, produce, and sell more complex products, the company is striving to become an integrated organization indicative of a high performance workplace. Today some of its organizational structures resemble those of a startup company. Although this leads to nimble performance, it also creates inefficiencies and inconsistencies. One way the company is addressing these issues is by adopting a company-wide training system organized as Cypress University. For the first time training modules will be offered company-wide, not by individual departments. The goal is to provide a common framework for handling business processes, engineering, sales, and service activities for all occupations.

These moves toward greater integration are driven in part by the increasing complexity of products sold by the company. As products become more complex, it becomes more important for employees to understand and work with different facets of the business. This means employees need a broader technical understanding of a variety of products plus the ability to work more effectively with other people and departments within the company. The computer, business skills, and continuous improvement skills included in this proposed training will help accomplish this goal. Training will be driven by standards developed by the company so employees gain a common set of skills and a common "language" for communication and problem solving. Engineering and production staff will receive computer skills aimed at broadening skills and training employees in new skills needed for new products. For example, people who previously worked only on a memory chip or a logic chip must now be able to work on a single chip that performs both functions.

Most ETP-funded training will occur at the company's San Jose site and additionally, at a small San Diego design and sales facility. The San Jose headquarters includes general administrative functions; research, design, and engineering functions; and sales and service personnel. In addition, the San Jose site has a 16,511 square foot manufacturing facility, used primarily for testing new designs and products.

All training will be either classroom, laboratory, or computer-based training provided on company time and conducted by qualified, internal staff and California-based training vendors. Administration will be conducted by PricewaterhouseCoopers in conjunction with the Contractor.

**Supplemental Nature of Training**

According to the Contractor, the training proposed in this application would not occur in the form and manner described in this proposal without ETP training funds. ETP funding will permit the company to increase the number of training hours, allow a greater number of trainees, and permit the use of more classroom/laboratory and CBT instruction instead of on-the-job training. The quality of training conducted will improve through the use of vendors with expertise in new technologies and processes. For the reasons outlined in the Narrative above, the company is seeking to conduct more training than in past years to meet company business goals. Therefore, the company is seeking the Panel's assistance to accomplish the required training in a shorter timeframe and offer a sufficient quantity of training in all content areas to meet projected needs. Training included in this application will help the company professionalize and standardize its training activities by adopting a central training system that will provide a common, company-wide training environment. This project will help the company move from offering isolated courses to coherent programs for the long run benefit of employees and the company.

New employee orientation, traditional management and supervision courses, office automation, and OJT in engineering and manufacturing processes are examples of on going training the company will continue to conduct without ETP funds.

**NARRATIVE:** (continued)

**In-Kind Contribution**

The company will defray \$2,600,000 in wages paid to employees while they attend training.

**Senior Level Managers/Executive Staff**

The contractor has certified in writing that no senior policy executives will be enrolled in the ETP-funded training.

**PROPOSED ACTION:**

Staff recommends that the Panel approve this One-Step Agreement if funds are available and the project meets Panel priorities. This recommendation is based on the company's statement that this training will allow them to successfully design and develop new products using advanced semiconductor design and process technologies, to improve manufacturing yields, to reduce production costs and cycle times, and to adapt to a high performance. The retraining outlined in this Agreement will provide primarily computer and technology-based business skills training that will contribute to the long-term job security of the company's California workforce.

Contractor: Cypress Semiconductor Corporation

Chart 1, Summary Pages

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Exhibit A

Training Data									(c) Payment Schedule				
1	2	3	4	5 (a) Cls/Lab Video- conf. Hours	6	7	8	9	10	11	12	13	14 (d) Wage After Reten- tion
Job #	Occupations	Type of Training	No. Retain		CBT Hours	(b) SOST Hours	Cost Per Trainee	Total SOST Trainer Hrs.	Hrs. to Enroll/ Pay 1 Enroll	Pay 2 Compl	Pay 3 Hired	Pay 4 After 90 Days	
1	Administrator, Engineer, Engineering Support Staff, Technician, Information Technology Staff, Manager, Supervisor, Planner, Sales/ Service Staff	Direct-Employer, Retrainees	140	100			\$1,300		8	\$325.00	\$ 650.00	\$ - \$ 325.00	\$11.54 - \$75.95
687		<i>MENU: Trainees will receive one or more of the following: Business Skills Computer Skills</i>		100									
2	Administrator, Engineer, Engineering Support Staff, Technician, Information Technology Staff, Manager, Supervisor, Planner, Sales/ Service Staff	Direct-Employer, Retrainees	165	40	20		\$680		8	\$170.00	\$ 340.00	\$ - \$ 170.00	\$11.54 - \$75.95
687		<i>MENU: Trainees will receive one or more of the following: Business Skills Computer Skills Continuous Improvement Business Skills (CBT)</i>		40									
					20								

(a)Advanced Technology must be provided as class/lab.

(b)Figures for calculation purpose only.

(c)For Welfare to Work: Pay 2=50% Completion hrs. Pay 3=100% Completion hrs.

(d)Wages by occupation on Comment Page.

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Job #	Occupations	Type of Training	No. Retain										

Administrator, Engineer,  
Engineering Support  
Staff, Technician,  
Information Technology  
Staff, Manager,  
Supervisor, Planner,

3	Sales/ Service Staff	Direct-Employer, Retrainees	795	40			\$520		8	\$130.00	\$ 260.00	\$ -	\$ 130.00	\$11.54 - \$75.95
		<i>MENU:</i>												
687		<i>Trainees will receive one or more of the following:</i>		40										
		<i>Business Skills</i>												
		<i>Computer Skills</i>												

### Contract Totals

<b>Program Cost</b>		\$707,600	<b>Total to be Retained</b>	1100
<b>Substantial Contribution (___%)</b>	(-)	\$0		
<b>Multiple-Empl. Support (___%)</b>	(+)	\$0		
<b>TOTAL ETP Funding</b>	(=)	\$707,600		

(a)Advanced Technology must be provided as class/lab.

(b)Figures for calculation purpose only.

(c)For Welfare to Work: Pay 2=50% Completion hrs. Pay 3=100% Completion hrs.

(d)Wages by occupation on Comment Page.

**Contractor: Cypress Semiconductor Corporation**

Turnover Rate	% of Mgrs. & Sups. to be trained		Health Benefits Inc. in Wage?		
16.0%	N/A		No		

Location of training: All training will occur on company premises in San Jose and San Diego during work hours. Should the Contractor use off-site facilities for ETP-training, Cypress Semiconductor must notify its monitor in writing of the address of any such location prior to the start of training at that site.

For Computer-Based Training: Training will occur at employer and vendor sites as described above.

Ratios: The ratio of trainers to trainees for class/lab training shall not exceed 1:20 for retrainees.

If Health Benefits is "YES", please explain: N/A

Other notes:

(d) Wages by occupation after retention:

<u>Occupations</u>	<u>Wage Range</u>
Engineer	\$19.23 - \$75.95
Engineering Support Staff	\$28.06 - \$44.54
Technician	\$11.54 - \$50.48
Manager/Supervisor	\$17.57 - \$74.15
Administrator	\$14.00 - \$64.90
Information Technology Staff	\$21.15 - \$60.82
Planner	\$12.12 - \$42.30
Sales/Service Staff	\$17.16 - \$42.98